

Previous references.

File No. 48-10

1910.-11

Serial Nos. 142

Later references.

(Banking)

G 2463-11

GENERAL AND REVENUE SECRETARIAT.

Serial Nos.

Part B. for March 1912

SUBJECT.

Loan to the Bangalore Central
Cooperative Bank Ltd

1 From the Registrar of Cooperative Societies
No 999/240 d 24-4-11

Recommends a loan of Rs 35000 to the
above institution on certain conditions.

2. The Comptroller & the Registrar of Co-Societies
G. R. S. 58 No H 4168-9 d 30th March 1912
sanctions the loan recommended.

24/11

1960. 11

GENERAL AND REVENUE SECRETARIAT.

(Banking)
NOTES.

File No. 48-10

FILE HEADING.

Loan To the Bangalore Central
Cooperative Bank.

From

The Registrar of Cooperative Societies

No. 999/240 Dated 24-4-11 Received 26-4-11

Diary No. 4326

Enclos. 1 file Spare Copies

Serial No. /

BRIEF ABSTRACT OF LETTER.

paper under
disposal
Recommends that a fresh loan of Rs 35,000
may be sanctioned to the above insti-
tution subject to certain conditions.

NOTES AND ORDERS.

The Registrar recommends
the advance in order to assure
the stability of the Bank in
case of sudden calls from de-
positors & also incidentally to

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Finance Societies.

2 Unless there is a gross misapplication of funds apart from the legitimate purpose for which it is intended which is the grant of loans to Co-operative Societies there is no likelihood of sudden calls from depositors in a Central Co-operative Bank at all.

3 It has also to be observed that no difficulty has been experienced in financing these Central Banks whenever they were needed. The demand & supply was amply ~~sanctioned~~ sanctioned. The fact is that it is observed that sponsors to these Central Banks. The little help that is being rendered to Societies elsewhere is being directed & there is a wholesome disinclination in Societies to be independent of such

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No.

help altogether in matters of finance - & the different Administrations in B India are gradually withdrawing forth in this direction leaving the field open for a healthy struggle for existence & vigorous growth.

4 The Fifth Conference Proff has a great deal to say how the problem of financing Societies is being met with in British India -

5 Among others - the formation of Societies with share capital - unions of Societies - urban Societies with unlimited liability are mentioned - ~~beats the~~ Various means of arousing public confidence in the movement such as inviting holding of conferences - itinerant preaching by persons interested in the movement on its manifold advantages to the

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No.

people are also to be found
in the recent annual
reports of the British pro-
vinces - none of these phases
of activity in the movement
is as yet discernable in
any form.

Flag C

6 on page 22 of the Report of the
Conference the sub-committee
record their finding that the
great aim of central
banks should be to accumulate
local capital - & if it has
not done this it has evidently
not ~~served~~ ^{served} the purpose intended
of it.

It has also to be noted
that the Bank is averse
to the Comptroller's proposal
to utilize the entire profits
derived from this loan trans-
action with four being credited
to the reserve. In this case
what is the justification
for financing a four
stock institution out of
four funds.

May C

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8 Para 24 of the Conference
props show on what lines
State help may be rendered
to Central Bank.

The sub Committee formed
to deal with, questions
of Finance commenced
with a consideration
of the German model
of Union & Central
Bank. This German Bank
is a joint stock company
on limited liability
drawing its strength
on Village Societies which
are its members. It
serves as a common cash
check for Societies equal-
ising excess & want.
It has the privilege of
obtaining advances from
the Prussian State Bank
- (which can arise only
in times of great agric-
ultural stress) - Further
it is clearly stated that
it deals only with Societies

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& only Societies can be
Share holders. It lends
Societies on easy terms
& all the profits are shared
by Societies - whose Statute
it is in the interest of
Society to safeguard. No in-
dividual person can hope
to benefit directly as a
member by these trans-
actions.

In the Bangalore Central
Bank members benefit
directly by the Society
help & the Societies
come in after.

"The Andras report
has also a good deal to
say on which Central Banks
ought to be - & the paras
on Finance in the said
report have a great deal
bearing on the question

4/5-4/5
4/5-4/5
4/5-4/5
4/5-4/5
The scheme for Central Bank formulated
by Sir V. D. Mackenzie & Hon'ble Lalubhai
Damasaldas which was approved by the

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No.

Slight variation of the Secy State has renewed
in some paper. I believe the Times of India
Please put it up.

$\frac{k}{4.5-4}$

To the Library

Nil
5/5
A/L
5/5/11

(it is in the file)

Issue of The Times of India
dated 19th April 1911 put up.

A/L
5/5/11

Said: A bank with its name cannot do much
of its business in the confidence of the public from
A/L
5/5/11 merely share capital, however much
that may be. It has to go by doing business
to earn public confidence and draw
deposits and have upon other people's
money. There is also a further advantage
in this. A share always requires a dividend
to be paid which in every well conducted
bank is always more than the interest
paid to depositors and as such having
with deposits increases profits and therefore
credits to the reserve fund which means
increase of stability.

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14 The Cooperative movement is for a fair economic one in which frt are deeply interested and as the Central Bank is a Society formed mainly with the object of financing Rural Cooperative Societies from which the mass of the Agriculturists draw their money, the attempt deserves the support of frt.

15 If the Cooperative Central Bank has to work without the aid of frt, then they have, for reasons mentioned above, rely on deposits. Deposits may come for a fixed ^{period} ~~term of years~~ say not more than one year or at most 2 years, while the loans given out of the Bank are not returnable within the same period. Now if a depositor wishes to withdraw his deposit at the end of the stated period, either the Bank has to refuse to pay not having the means to pay or make up by issuing fresh shares or calling in fresh deposits. Neither of these courses can be considered as anything more than mere make shift and the only way of getting over the difficulty is by raising a temporary loan and it is just ^{this} what the Bank want to do and instead of doing it in the open market with frt to give them a loan. There is thus not only nothing objectionable in principle but it also appears the correct thing to do as the frt are interested in the movement.

The Bank
management
should see that
the Banks funds
are not locked
up so as to
make it impos-
sible for the
Bank to meet
its liabilities on
due date.

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16 One effect of not coming to the aid of the Central bank would be to induce people to allow their deposits to remain uncalled for longer periods and it may so happen that not will not be called upon to pay any money at all, the bank on the strength of the not guarantee being always flush with cash.

17 It may not be out of place to state here that not make so many revenue advances needed only of the general poverty of the Ryot but as the Central bank exists for the very sake of ameliorating that condition of the Ryot it takes upon itself some function of the not and it appears that the money now directly given to the Ryot and the consequential instrumental interference could all be obviated by making the payments through the bank. There would also be no risk of loss as the not money would be on a deposit in the bank which the bank would be bound to pay.

18 That a Central bank needs the help of not and is one deserving such help has been admitted by the Secy of State when he sanctioned the Scheme of Mr. K. M. Das Gupta. The Hon. Mr. K. M. Das Gupta is a well known and a Central bank of India.

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19 If you do not desire to take an active interest in the Central Bank then the Rep's Recommendation can be sanctioned subject to the conditions mentioned in her letter. This however does not go far. It would perhaps be better to make it a ~~more~~ a State aided institution and for placing deposits 3 times the amount of Share Capital subscribed at say 4% interest and getting a small percentage of profits also for local help.

W. Secy)

L. B. H.

20 "The Central Bank requests an assurance from government that a sum of Rs 35,000 will be placed at their credit (as a loan at $3\frac{1}{2}\%$.) for a period of five years at present - The amount will be drawn by the Central Bank in instalments if and as occasion arises"

21 The above is the point for consideration. The advantage of the above arrangement is shown by the following well-known principle of Banking:

A debtor asked his creditor B "When do you want repayment?"

"Well" replied B "If you are in a position to repay me, ~~now~~ I do not want repayment now - Keep my money as long as you

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No.

like. But if you are not in a position to repay me, I want my money at once."

With an assurance of a loan from Govt., the Bank will be ready to repay any individual depositors with the result that depositors will not be anxious to get back their money.

The conditions on which the loan can be granted are discussed & set forth in my D.O.^x of 14.7.10 to the Registrar. The Bank demurs to my conditions (4) & (6). I do not press for (6) in detail but there must be a favourable rate of interest offered to draw long term deposits. This will make any large drawings on the Govt. assurance unnecessary. As regards (4) the principle must be insisted on. Now that the application is for a loan on interest condition (4) may turn:

"The interest realized on loans to societies upto the limit of Govt. loan less the amount of interest paid to Govt. shall be credited in full to the Reserve Fund of the Bank."

The reason for this is obvious. The profit made with the Govt. loan should go entirely to the Reserve Fund and cannot be allowed to be spent on Dividends, bonus, honoraria &c.

x Flag A
Flag B

Serial
No.

24 I would ^{make clear} ~~add~~ one more condition which is of course implied viz. that before each instalment of the loan is drawn an explanation of the circumstances supported by facts & figures which make the loan necessary should be submitted by the Bank to the Registrar & the instalment drawn only if approved by him.

M
2/6/11
504

Deewan)

11971
6.6.11

25 I find some difficulty in making up my mind to approve of the concession asked for - It seems to me to be an application for facilities to embark upon banking business far beyond the banks own resources, to lock up funds in loans which cannot be realised with as much readiness as is necessary for the Bank to be able to meet its own liabilities - It seems to me to be advisable for the Central Bank to replete its operations with a due regard to its own resources & thus work on a modest scale & entirely on the basis of private enterprise - In times of crises

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it may be advisable for Govt to ad-
-vance to rescue; but this would
depend upon an examⁿ of the
credibility of the person trusting at the
time for help is called for - It won't
do for Govt to give the blank cheque
that is asked for -

26 The subject is important
& one in which there may be mate-
-rial diff^{er} in opinion -

To Council

The
responsible
to be

Enc. keep for future of printing circulars

circulate

to be

ok
30/6/64

To Council

27 If the Registrar keeps a sharp
look out - against bad debts
being brought into existence, I
think it would be a desirable
measure entailing little risk
to agree to advance money to the
limit proposed. The conditions

This is state
interference
with a banking
concern
SP

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mentioned by the Fd Secretary (as modified in his final note) are reasonable and may be insisted on. I have little doubt that they will be accepted.

Handwritten signature
D 14/7/11

The necessity for some such state help was recognized when Govt. sanctioned a sum of Rs 15,000 to be held at the Registrar's disposal for granting loans to Cooperative Societies. The present proposal differs very little from it in substance. The Central Bank at Bangalore finances the Cooperative Societies and the Registrar wants to inspire public confidence in the Bank by placing some Government money in it - which would induce people to deposit their own money & not withdraw it at the end.

Because a little help was given
more is asked
for to help the
Bank to run
with speculation
Handwritten signature

Serial
No.

of each year.

9 The Cooperative movement
is still in an infant stage
and needs all the encourage-
ment Govt can give.

I see no harm in sanctioning
the Financial Secretary's
proposal which meets all
the objections urged in these
notes. No risk seems to be
involved as the loan of
funds from the Central Bank
will be made only on the
authority of the Registrar

16/7/11
17/7/11

Dewan

17/7/11

125587

17.7.11

Submitted to His Highness.

paper under
disposal

3^o The Registrar of Co-Operative Societies has recommended^x to Government the grant of a loan to the Central Co-Operative Bank Ltd, Bangalore, up to a limit of Rs 35,000 on certain conditions.

2. 3^o What the Bank requires is credit with the Government up to Rs 35,000 for a period of 5 years, the amount to be drawn by the Bank in instalments if and as occasion arises, and each amount so drawn to be repaid within two years from the date on which drawn with interest at 3 $\frac{1}{2}$ %. This request is made to enable the Bank to provide itself with some certain means of meeting sudden calls from depositors or large demands from rural societies and generally to tide over financial difficulties if any should arise".

3. 3^o The Financial Secretary has agreed to the granting of credit in the manner proposed on certain conditions, if it be proved to the satisfaction of Government that the same result cannot be achieved ~~entirely~~ ^{entirely} by private enterprise. The conditions^x proposed by him are:-

Flag A

(1) The transaction of the Bank to be regulated not only by the rules of the Bank but also by any directions which the Registrar may give in writing.

(2) No loan to be given to any party unless approved by the Registrar.

(3) Loans given to individual members of the Bank to be restricted to a limit to be fixed by the Registrar and the amount of loans given to members not to exceed one fourth of the total amount of the loans given to Societies.

x (4) The interest realised on loans to Societies up to the limit of the Government loan less the amount of interest paid to the Government to be credited in full to the reserve fund of the Bank.

(5) The amount due to Government by the Bank to be the first charge on the Reserve Fund and other assets of the Bank.

(6) For deposits in the Bank, the longer the period of deposit the more favourable should be the rate of interest offered.

(7) Before each instalment of the loan is drawn an explanation of the circumstances, supported by facts

and

and figures, which make the loan necessary should be submitted by the Bank to the Registrar and the instalment drawn only if approved by him.

Flag B

4. ³² Conditions 1, 2, 3 and 5 have been agreed^x to by the Bank's Board of Management. Conditions 4 and 6 have not been accepted and the Registrar thinks that they should not be insisted upon. Condition 7 has been mentioned only in Mr. Chakravarti's note of 2nd June 1911^x and has not been considered by the Bank. It is probable that the Bank will agree to this.

Flag C
page 12 & 13 of the notes

5. ³⁴ ~~But~~ ^{Both} the Councillors are of opinion that the request of the Bank may be granted subject to the conditions mentioned by the Financial Secretary. The second Councillor (Mr. Nanjundaiya) would require the Government Registrar of Co-Operative Societies to "keep a sharp look out against bad debts being brought into existence"[^] The First Councillor (Mr. Puttanna Chetty) thinks^x that Rs 35,000 may be lent to this Central Co-Operative Bank because Government held Rs 15,000 at the disposal of the Registrar for loans to Co-Operative Societies generally where such loan may be absolutely necessary.

page 13 of the notes

✓ - 14 & 15 = a

6. ³⁵ My own opinion is contained in my note dated^x 28th June 1911 on the file. I think that the financing of

x pages 12 & 13
of the notes

of the Bank should be a matter of private enterprise and that only in times of crises would it be advisable for Government to come to the rescue, with help the nature of which would depend upon what may be found on an examination of the Bank's affairs as then subsisting. The conditions on which the Financial Secretary would recommend the loan are far too complicated and inquisitorial.

7. ⁸⁶ I submit the papers for His Highness' orders.

in

J. Mandat
25 Feb

Record of Cases submitted for the Orders
of His Highness the Maharaja

Subject.

37 Question of granting a loan
to the Central Co-Operative Bank ,
Bangalore up to a limit of Rs 35,000.

26-2-12
2609,

464

Returned with D.O No 273 of
29. 2.12



5/2/12

Order.

General and Revenue
Secretariat.

13 File No. 48 of 1910

Serial
No.

Fr: No 1 of 1.3.12.

No 273

in 1/12



The Palace, Bangalore,.

29th February 1912.

My dear Sir

38

I am directed to return File No. 30 dated 1/3/12 24-2-12. His Highness has given a very careful consideration to the papers and has come to the conclusion that the special arguments in favour of loan being granted to the Central Co-operative Bank (under proper safe-guards) far outweigh your general argument against Govt loans to private banks. However much State interference and State "nursing" is to be deprecated on general grounds the fact remains that in Mysore both these are inevitable in the initial stage of a movement like that of co-operative credit. His Highness can see no risk in the grant of the loan recommended by the Comptroller and both Councillors. His Highness thinks on the whole that the loan may be safely granted, but he would insist on all the conditions and safe-guards which the Comptroller deems necessary.

Yours sincerely

I. Ananda Rao, Esq., C.I.E.,
Deputy Secy to the Maharaja,
Bangalore.

G. R. S. 12]

General and Revenue
Secretariat.

B File No. 48 of 1910

Serial
No.

39 A draft is put up for approval.

40 Attention is invited to the concluding portion of the D.O. letter of the Private Secy. to H. H. in which he says that His Highness would insist on ^xall the conditions and safeguards which the Comptroller deems necessary. Orders are therefore required whether Conditions no. 4 and 6 are to be imposed on the bank. Think beson that the bank would rather not have them.

41 The draft as put up omits Conditions no. 4, and 6 and imposes Conditions no. ^x1, 2, 3, 5, 7 ^x.

R.R.

12.3.12.

42 Please insert Condition 4 which is very important. Condition 6 may say from first knowledge has already been brought into effect & the rate of interest having been raised to one per cent on long term deposits.

43 Draft revised so as to include Cond. 4.

R.R.

12.13.12.

Hecy

h
13.3.12

^x
(Please see the
Dewan's note of
Sub. to His Highness
for the conditions)

^x
1 and 9 are
combined

NOTE--Contn. sheet.

G. R. S. 12]

General and Revenue
Secretariat.

S File No. 48 of 1910

Serial
No.

Finl. Secy's order on the draft: -

Asst. secy -

44

Prepare a clean draft. I want to be clear about the legal value of an order like this. If the bank takes the loan and then breaks the conditions, what would be the remedy?

Intd. - J.S.C.

45 A revised draft is put up.

46 As regards the question of legal value: - The loan is subject to the conditions imposed by the Govt. and accepted by the Bank. It has already been pointed out that some of the conditions mentioned in the draft have not been accepted by the Bank. This, however, would be immaterial if the bank draws any part of the money now placed at their disposal, as that would amount to an acceptance of the conditions under which the loan is granted, and would render the bank liable to observe them.

47

NOTE—Contn. sheet.

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47 The duty of seeing that our conditions are duly fulfilled, and, should they be broken, of reporting the fact to Govt. rests with the Registrar of Co-op. Societies.

48 A breach of the terms imposed renders the Bank liable to pay up with interest the amount drawn by them. The Govt. would then have all the rights of a creditor. In this connection, it may be pointed out that it is doubtful if the fact that the Govt. reserve the ^{first} ~~priority~~ right against the reserve fund and other assets of the Bank would give them that right unless they also happen to be the first creditor of the bank. If there already exists a prior creditor, Govt. would have to take the next place, and cannot oust him from his position. In this view, Condition No. 6 would appear to be unnecessary, though there is no harm in retaining it.

49 Turning to Condition No. 4, it is not very clear whether ~~reference~~
~~to condition No. 4 is to be made~~

direct
the

Serial
No.

The reference to the
amount of ^{total} ~~individual~~ ^{all}
loans from individuals
does not affect the restriction
of the bank to the limit of
individual loans.

h

* after deducting
3½% interest due
to Govt.

the Condition, requiring a limit
on loans to Members, and a pro-
portion between loans to Members
and loans to Societies, refers only
to loans from the funds supplied
by Govt. or is ~~also~~ intended to
apply also to loans from the Bank's
other funds.

So again, Condition No. 5
seems to require some change. As
~~defined~~ approved, it requires the
bank to credit to the reserve fund
all excess profits* on loans to Societies
up to the limit of the Govt. loan.
Shouldn't the profits on loans to
Members be also similarly dealt
with? If this is not done, it might
lead the bank to discourage loans to
Societies. Next, it may also be
clearly stated that this Condition applies
only to loans from the Govt. funds. The
pencil alterations made in the Margin
of the draft would meet the case. It
would, however, be defective in the
following case: Suppose the bank has
given out loans to the extent of Rs. 35,000
of which 20,000 comes from Govt. funds
and

B File No. 48 of 19/0

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No.

and the rest from the bank's own funds. Under the suggested wording of the condition, the bank would have to credit the excess profits on Rs. 20,000 to its reserve fund. But if, on the ground that the total amount of the loan comes up to the limit of the Govt. ~~fixed~~ loan, the profits on the balance of Rs. 15,000 are also required to go to the reserve, the wording of the condition will be defective and will have to be altered. It is, however, believed that this is not the intention of Govt.

R.R.

18.3.12.

51 Mr. Thompson considered it is safe to treat the amount as a loan, and a deposit, a bond being taken as each instalment is drawn from the Treasury. A clause to this effect may also be entered in the order perhaps. The revised draft is now with certain pencil notes in the margin for advice.

De Secy)

20.3.12

52 Passed with some alterations

Dewan)

20/3

NOTE—Contn. sheet.

GPB-60,001-12-8-10

Draft approved by Dewan

23.3.12

no. only 20,000 to be so treated

at 18

351

22.3.12

General and Revenue
Secretariat.

B File No. 48 of 191/0

Serial
No.Issued
15.3.12To the Comptroller
" Registrar of Coop. SocietiesH 4168-9 d) 30-3-1912
Sanctioning a loan under
certain conditions of Rs 35000
to the Bangalore Central
Cooperative Bank

Office of the Registrar of Co-operative
Societies in Mysore.

Dated, Bangalore 13/21st April/1911.

(1)

From

M. Shama Rao, Esq, M.A.,

Registrar of Co-operative Societies in Mysore.

To

J.S. Chakravarti, Esq, M.A., &c,

Financial Secretary to the Government

of H.H. the Maharaja of Mysore,

Genl, and Revenue Depts, Bangalore.

Sir,

In submitting herewith for favourable consideration of Government an application from the Bangalore Central Co-operative Bank, limited, for a Government loan of Rs.35,000/- at $3\frac{1}{2}$ % per annum, I have the honor to state that the Central Bank has been doing good business and has collected up to the end of March 1911 share capital of Rs. 10,703/- and attracted deposits to the extent of Rs. 30,000/-. There are at present 42 members on the rolls of the Bank and loans have been issued to the extent of Rs. 33,105/-, only a seventh of which represents the loans given to individual members of the Bank, the rest having been issued to Co-operative Societies in the Province. A sum of Rs. 9,000/- has recently been sanctioned to 3 rural societies and when this is issued, as will be done very soon, the Bank will have ~~been~~ invested all the capital it has been able to attract so far.

2. The deposits in the Bank are generally fixed for one year and are in most cases likely to be renewed for a further period on the expiry of the original term. It will thus be seen

that the Central Bank is enjoying the confidence of the public and is likely to continue to attract a large amount of private capital even hereafter and in all probability will not in the ordinary course of business be pressed to draw largely upon the Government loan either to meet the calls of depositors or make funds available to meet the increasing demands of rural societies which are steadily growing in number. But even then, it cannot be forgotten that the Central Bank is still in its infancy and in the interests of the institution the Board of management are well advised in providing themselves with some certain means of meeting sudden calls from depositors or large demands from rural societies and generally to tide over financial difficulties if any should unexpectedly arise. It is with this object that the above application has been made by the Central Bank and in my humble opinion it will go a long way in strengthening public confidence in the affairs of the Bank if the Government will give the assurance asked for.

3 .

I have enclosed for the information of Government copies of D.O. correspondence between me and Mr. Chakravarthi in regard to this matter. The Central Bank requests an assurance from Government that a sum of Rs. 35,000 /- will be placed at their credit for a period of five years at present. The amount will be drawn by the Central Bank in instalments if and as occasion arises. Each amount so drawn will be repaid within two years with interest at $3\frac{1}{2}\%$ per annum from the actual date of drawal. I enclose herein a copy of the resolution of the members of the Board of Management of the Central Bank under which they are quite agreeable to all conditions in para 10 of Mr. Chakravarthi's D.O. of the 14th. July 1910 except b. (4) and (6) . With reference to the former i. e. b. (4) , I would invite the attention of Government to rule 18 of the By-laws of the Bank (copy of By-laws herewith submitted) which appears to be sufficient for all practical purposes. With regard to the latter, (6) , I am of opinion that the discretion of fixing the rates of interest on deposits may be safely left in

in the hands of the Board of Management under rule 9 of the By-laws.

4. The financing of rural societies has been justly considered a matter of supreme importance in the administration of Co-operative Societies at successive Conferences of Registrars held at Simla and Calcutta. I enclose herein for the information of Government an extract from the Resolution of the Government of India on the Proceedings of the Fourth Conference of Registrars of Co-operative Societies held at Calcutta in November 1909 and add that the press has recently announced that the Secretary of State for India has given his sanction to the scheme formulated by the Hon'ble Sir Vittaldeo Thakarsey and the Hon'ble Lalubai Samaldeo for the establishment of a Central Bank to finance Co-operative Credit Societies in the Bombay Presidency. The scheme as sanctioned by the Secretary of State for India provides for a Government guarantee of interest at 4 % per annum on the debentures issued by the Bank, the total value of which ^{should not exceed three times the capital of the Bank which} is further required to remit 1 % of the interest on loans to Co-operative Societies whenever the Bank is able to earn more than 6 % on its transactions. Agreeably to the resolutions of successive Conferences of Registrars and on lines similar to those in other parts of India, the Central Co-operative Bank was started in Bangalore especially as there are not large Joint Stock Banks willing to perform this function to any considerable extent in the Province. For this reason it appears to me that there is a great deal of justification for State-aid or rather assurance at least for some time to come in our Province. and on this ground, I would very strongly recommend the favourable consideration of the modest application of the Central Bank on the financing capacity of which the success of the movement largely depends. It only remains for me to add that after the Central Bank was started several rural societies have been fast developing as the result of an indirect assurance that funds can be had at need for

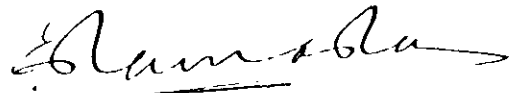
4

the Central Bank.

I have the honor to be,

S i r ,

Your most obedient servant,



In Ch. R E G I S T R A R.



B.S.R.V.

1786
14.2.1911

1111
The Bangalore Central Cooperative Bank Ltd.
Dated Bangalore the 13th February 1911.

No: 84 Em 1



From

The Honorary Secretary
Bangalore Central Cooperative Bank Ltd.

To

The Registrar of the
Cooperative Societies in Mysore.

Sir,

In forwarding herewith an extract of the Proceedings of the meeting of the Board of Management of the 12th instant, in re- the support of Government to the Central Bank, I am desired by the Board to state as follows:-

Ref. Lr.
15.2.11

24
16/4/11

which are the
loans, advances &
are disbursed,

Mr.
20.7.11

21/4/11
considered

The Central Bank was registered by you under the Cooperative Societies' Regulation III of 1905 on the 7th December 1908, its main object being to finance the rural societies in the State. Owing to the prevalence of plague & other causes, the Bank was not able to do any business except the collection of share capital till January 1910 since when

When the business has been steadily flowing, and is particularly brisk for the past 3 months. The Society has been able to dispose of 79 out of the 200 shares authorized by the bye-laws and has already collected Rs 9,078/- on account of a portion of the Calls made up to date. Besides the sum of Rs 10,000/- graciously deposited by His Highness the Maharaja of Mysore for 3 years at $3\frac{1}{2}$ p. c. per annum as an encouragement to the Institution, the Bank has so far been able to attract fixed deposits to the extent of Rs 16,500/- at 5 p. c. per annum. The Bank has till now sanctioned loans to the extent of Rs 36,705/- of which Rs 3,000/- only has been sanctioned to a member of the Bank for the purpose of purchasing an income villager. Out of the above loans sanctioned, a sum of Rs 1,500/- issued to a Society in May last was fully repaid by the end of last month. It will thus be seen that the Bank has so far been able to finance itself to meet the demands on it.

As some of the deposits will become

repayable

7
repayable to the depositors from May 1911 and
onwards, and now that the Central Bank is getting
better known and appreciated, more applications
for loans from other Societies are expected, the at-
tention of the Bank is engaged in devising the
means of attracting more private deposits.

With a view to infuse greater confidence among
the public at present when the Bank is still in
its infancy, and to keep the work of the Bank
going without interruption even in case of an
emergency, the Board have decided to request
you to be so good as to move the Government
to place at their credit a sum of Rs 35,000/- for
a period of 5 years, to be drawn as occasion
requires, each amount so drawn being re-
payable within two years with interest at
3½ p. c. per annum from the actual date of
drawal.

I have the honour to be,
Sir,
your most obedient servant

D. Appanna
Honorary Secretary

Extract from the Proceedings
of the Meeting of the Board of
Management of the 12th February
1911

x x x x x

Resolution V

Read again Copies of D.O.
Correspondence between the
Registrar of Co-operative Societies
in Mysore & the Comptroller to
the Govt of Mysore in re the
Support to be given by Govt
to the Central Bank.

Read also resolution 2 of
the Board dated 24th July 1910

Resolved that an application
be made to the Registrar of
Co-operative Societies in Mysore
requesting him to move the
Govt to place a sum of Rs 135000
at their Credit for a period
of 5 years to enable the Bank
to draw from time to time
as occasion may require.
The Bank will pay interest
at 3½ per cent per annum
on sums drawn & undertake
to adjust each account within
2 years from the date of drawal.

True Extract.

B. Appudurai
Hon. Secy

9

Mysore
25th June 1910.

My dear Sir,

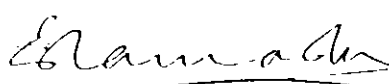
with reference to the conversation I had with you the other day, I send herewith for your kind perusal and revision, if necessary, a copy of the Rules of the Bangalore Central^{Co-operative} Bank. My proposal, as I have already informed you, is that the present grant of Rs15,600/-out of which I have only spent Rs. 600/-placed at my disposal for granting loans to agricultural co-operative societies should be given as a fixed deposit for three years, free of interest to the Central Bank on the conditions that loans out of the amount should be given only to Co-operative Societies and not to any members of the Central Bank, that no loans should be granted to such Societies unless approved by the Registrar, and that the entire interest earned on the amount minus a proportionate deduction towards the cost of management, should be credited to the Reserve Fund of the Bank, which under the Co-operative Regulation cannot be used by the Bank for any purpose without the previous approval of the Registrar. The Government may also permit the Bank to further draw on the Government Treasury upto a limit of Rs. 20,000/- at 4 % interest per annum for a period of two years from the beginning of July 1910 to the end of June 1912. This latter concession will enable the Bank to attract private deposits largely, especially as private capitalists will feel confident that when they wish to withdraw their deposits, money will be forthcoming readily. As a matter of fact I do not expect that the Bank will be put to any difficulty to meet its obligations, as deposits taken will be for periods of not less than one year. However on account of the uncertainty of the seasons agriculturist-borrowers may not be able to repay the loans taken from the Central Bank within the time fixed and the Central Bank may be put to the necessity of finding funds elsewhere temporarily to repay its own depositors, if there happens to be a demand. It is to meet

meet this possible contingency that an assurance on the part of Government that the Bank will be permitted to obtain a further deposit upto a maximum of Rs. 20,000/- in case of necessity is needed and I need not say that this assurance will be helpful to the Bank to obtain private deposits in its early career when, for want of a decent ^{se} Reserve Fund, depositors may be unwilling to entrust their deposits readily to the Bank. I expect that in the course of 3 or 4 years the Bank will be able to manage its own affairs without any help from Government and till then the Comptroller or any of his assistants whom he nominates may be an official Director of the Bank. This arrangement also will go a very great way to create confidence in the Bank so as ultimately to become independent of Government help. On hearing from you, I shall submit a formal communication to Government. I have not mentioned the matter to the Dewan, but as it is useless my going to him unless you approve, I shall mention the subject to him on hearing from you that I have your general approval. I think that this course is desirable before I make any formal communication after consulting the Managing Board of the Central Bank. There is much demand for money on the part of agriculturists as the cultivating season has begun and if you can kindly give me an early reply I shall be able to help a large number of Co-operative Societies to a material extent.

Yours sincerely,
(Sd). M. Shama Rao.

To
J.S. Chakravarti, Es ., M.A., F.R.A.S .
Comptroller to Government.

" Copy ".


In Charge Registrar.

11

Comptrollers Office
Bangalore the 27th. June 1910.

Dear Sir,

With reference to your D.O. of the 25th. instant to the address of the Comptroller in regard to financing the Bangalore Central Co-operative Bank Ltd,. I beg the favour of supply of a set of rules, if any, framed for one or two of such Central Banks now established in parts of British India.

Should there be no spare copies available, I shall, if you kindly send the copies available in your office, return them after perusal.

Yours Sincerely,

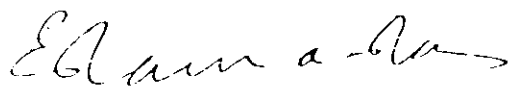
Sd. /- M.A. Srinivassachar.

To.

M. Shama Rao Esq, M.A.

Registrar of Co-operative Societies
in Mysore.

" C O P Y "



In Ch. REGISTRAR.

U. B. S. R. V.

12
D.O.

Dated Bangalore 29th June 1910.

My dear Sir,

Your D.O. of the 27th. instant. As desired I send herewith the rules of the Madras Central Urban Bank of which Sir V.C. Desikachar is the Secretary. The rules of the Salem Central District Urban Bank are almost identical with the rules of the Madras Central Bank. The rules of our Central Bank are on the same lines. I also enclose a copy of the last Annual Report on the working of the Madras Central Bank for Mr. Chakravarti's perusal. The Indian Bank has entered into a special contract with the Salem and Madras Central Banks, agreeing to lend money at $6\frac{1}{2}$ per. cent. and to receive part payments at the pleasure of the Central Banks, charging interest on daily balances. It demands a security of a promising note from the Central Bank supported by a promissory note from a rural society. Last year the ^aSalem Bank drew Rs. 80,000 / - under these conditions.

In Bombay I understand that a scheme proposed by Sir V. Thakersey and Mr. Lalubhai Samaldas is under the consideration of the Bombay Government. In the United Provinces the Allhabad Bank is advancing money at $7\frac{1}{2}$ per. cent. per annum and already more than three lacs have been advanced. In Bengal and Punjab, big Zamindars are supplementing the funds provided by Government. In Burma two European Banking gentlemen raise the necessary funds required by the societies relieving a commission of two per. cent on the recommendation of the Registrar.

My object in Mysore is to devise a means to attract private capital largely and to do so, a good reserve fund has to be built up and in the early stages, our credit has to be sustained by being able to return private deposits readily, when there is a demand. As we have no Joint Stock Banks like the Indian or Allhabad Banks in Mysore, necessarily, I have to turn to Government help for a few years, till confidence is established.

Yours Sincerely,
Sd./- M. Shama Rao.

To.

M.A. Srinivasachar Esq.

Asst. to the Comptroller.

" C O P Y "

Edmund A. O'Connell

In Ch. REGISTRAR.

B.S.L.V.

Bangalore,

1st July 1910.

My Dear Sir,

In continuation of my letter of the 29th June last addressed to your Assistant Mr. M.A. srinivasa Char re -
 regarding the rules of the Central Co-operative Banks in British
 India, I beg to send to-day for your kind perusal the following
 extract taken from the Resolution Of the Govt. of India on the
 Proceedings of the 4th Conference of Registrars of Co-operative
 Credit Societies held at Calcutta in November last; the Resolu-
 tion is dated 6th May 1910.

" In Burma, the Bank of Rangoon has undertaken to fi-
 nance the ~~Co-operative~~ Societies. In Madras the same work is und-
 dertaken by two Central Banks established at Madras and Salem res-
 -pectively. In the United Provinces loans have been received from
 Joint Stock Banks and the amount of such loans increased consider-
 -ably, while in Bengal an important advance in the solution of the
 question of finance was made by the institution of two Co-operati-
 unions combining some fifty societies. The Government of Bombay
 has submitted a scheme formulated by Hon'ble Sir Vittaldas Thake-
 -sey and the Hon'ble Mr. Lalubai Samaldas for the establishment
 of a Central Bank to finance Co-operative Credit Societies in the
 Bombay Presidency. "

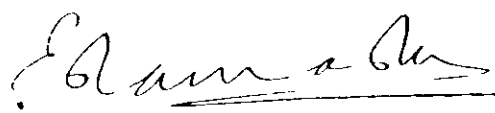
yours sincerely,

sd/. M. Shama Rao.

To J.S. Chakravarth, Esq, M.A. etc.

Comptroller to the Govt. Of Mysore.

" C O P Y "


 In Ch. REGISTRAR.

14
Comptroller's Office,

Bangalore, 11th July 1910.

My Dear Mr. Shama Rao,

Your D.O. of date regarding the deposit for the Central Bank to hand. I am sorry I have not been able to go into the matter having on hand some urgent work which cannot be postponed. I think I shall be able to write to you in the matter in detail in 3 or 4 days. Excuse me till then.

yours sincerely,

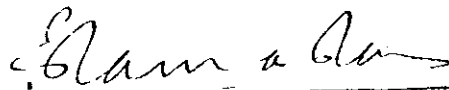
sd/. J.S.Chakravarthi.

To

M. Shama Rao, Esq., M.A.

Registrar of Co-operative Societies in Mysore.

" C O P Y "



In Ch. REGISTRAR.

C.N.R.

15
Bangalore, 11th July 1911.

My Dear Sir,

I have not heard from you regarding the deposit for the Central Bank I have proposed. This is the agricultural season and unless I get the Bank to work with more energy now, the opportunity for so doing will pass away till the next season. It will be a real good done to the ryot if you can kindly let me know have an early reply. If possible, the orders of Government may be obtained once for all.

yours sincerely,

sd/. M. Shama Rao.

P.S.

A line in reply will enable me to feel my way for the future better than I am able to do at present.

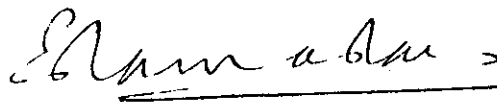
Ind/. M.S.

To

J.S. Chakravarthi, Esq, M.A. etc.

Comptroller to the Mysore Govt.

" C O P Y "



In Ch. REGISTRAR,

C.N.R.

Comptroller's Office,
Bangalore, Dated the 14th July 1910.

My dear Mr. Shama Rao,

I have given the most careful considerations to the proposals ~~for~~ re Government aid to the Bangalore Central Co-operative Bank made by you verbally at Mysore last month and further explained in your D.O. letter of the 25th June 1910. If the Agricultural Co-operative Societies are to flourish, a satisfactory method of financing them has to be evolved, and the question raised by you is therefore one which has an intimate connection with the welfare of the raiyots in the State.

2. I should no doubt have been glad if you had been able to suggest a scheme of financing your rural societies independetly of Government aid. In your D.O. of 1st July you quote the following passage from the proceedings of the fourth conference of Registrars of Co-operative Credit Societies held at Calcutta in November last (dated 6th May 1910.)

" In Burma the Bank of Rangoon has undertaken to finance the Societies. In Madras the same work is undertaken by two Central Banks established at Madras and Salem respectively. In the United Province loans have been received from Joint-stock Banks and the amount of such loans increased considerably, while in Bengal an important advance in the solution of the question of finance was made by the institutions of two Co-operative Unions combining some fifty Societies. The Government of Bombay has submitted a scheme formulated by the Hon'ble Sir Vittaldeo Thackersey and the Hon'ble Mr. Lalubhai Samaldeo for the establishment of a Central Bank to finance Co-operative Credit Societies in the Bombay Presidency".

You will thus see that the scheme as evolved and worked in most of the Provinces are based on private enterprise and it would have been very satisfactory if a similar scheme had been

found possible for Mysore. I am not aware whether you have tried to secure the interest and Co-operation of the Local Branch of the Bank of Madras, the Bangalore Bank, and the Cavalry Bank in this connection.

3. If it is found that it is hopeless to found a scheme based on private enterprise in Mysore, we have to fall back upon Government aid somewhat on the lines suggested by you. There is nothing fundamentally wrong in Government coming to help in such matters in the infant stage of a beneficial movement. But the help of Government must be distinctly understood to be only temporary for giving the movement a start and the prop of an infant just beginning to stand on its own legs should not be converted into the crutches of a helpless and adult cripple.

4. Your proposals are:-

(a) that the amount of Rs. 15,000/- placed at your disposal be given to the Central Bank as a fixed deposit, free of interest for 3 years on the following conditions:-

- (1) That loans out of this amount should be given only to Co-operative Societies and not to any member of the Bank,
- (2) That no loans shall be given to such Societies unless it is approved of by the Registrar, and
- (3) That the entire interest earned by the Bank on such loans less a proportionate deduction for cost of management, be credited to the Reserve Fund, which under the Rules is not available for any purpose without the special approval of the Registrar;

(b) That Government should further allow the Bank to draw upon the Treasury up to a limit of Rs. Rs. 20,000/- for a period of two years, inter-

interest being charged by Government on such drawings at the rate of 4% per annum.

5. I may tell you that the condition stated in para(a) (1) above is very difficult to be worked in actual practice. I think the accounts' complication involved almost makes it impossible. Suppose it happens thus-

<u>First year- Receipts.</u>	Government loan	Rs. 15,000
	Share Capital	" 10,000
	Deposits and Miscellaneous Receipts.	" 1,00,000
	<u>Total.</u>	<u>Rs. 1,25,000</u>

Disbursements-	Loan to Co-operative Societies.	" 15,000
	Loan to members on inadequate securities	" 1,09,500
	Establishment charges etc	500
	<u>Total</u>	<u>Rs. 1,25,000</u>

<u>Second year. Receipts.</u>	Extra Government loan for replacing deposits	Rs. 20,000
	Recoveries of loans to co-operative societies	" 15,000
	Interest on loans to co-operative societies	" 1,000
	Recoveries of loans to members	nil
	Interest on Do	nil
	Fresh deposits	nil

	36,000
<u>Repayments- To Depositors</u>	<u>35,000</u>
	Establishment &c 500
	<u>36,000</u>

Then at the end of the second year there will be outside deposits to a large extent and the Government loan of Rs.35,000/- will remain unpaid and the only assets will be the bad debts of

the members. Of course this is an extreme case, but it shows how it would be impossible to see to the fulfilment of condition (a) (1).

6. It is not therefore sufficient for the Registrar to scrutinise only the loans to Co-operative Societies given out of Government money. The more important point will be to see that large loans on inadequate securities are not made to members out of deposits and other funds. The Registrar should have the power to regulate all transactions and should regulate them very carefully if the safety of the Government loan is to be secured. Some limit should also be laid as to individual and total loans to members. As the movement is mainly to financing co-operative societies it should be ruled that loans to members should not exceed at any time $\frac{1}{4}$ of the loans given to societies.

7. I would prefer the Government money being given as a loan to the Bank instead of as ^a deposit. There should be a condition that the Government loan will be a first charge on the Reserve Fund and other Assets of the Bank.

8. From condition (a) (3) referred to above I would expunge the words "less a proportionate deduction for cost of management", and would credit the whole of the interest ~~earned~~ earned by the Bank on loans given to societies upto the limit of Government loan to Reserve Fund.

9. One of the difficulties to overcome which Government aid is required is, that the deposits received by the Bank will be for one year while the Agriculturists may take two years to repay the loans taken from the Bank. To partially get over this difficulty I would suggest that the Bank fix the following rates for deposits.-

6 months		3 $\frac{1}{2}$ % per annum
1 year		4 $\frac{1}{2}$ % "
2 years		7% "

This will encourage long period deposits and the difficulty

referred to above will be minimised.

10. You will see from the above that I am prepared to recommend your proposal of sanctioning a loan of Rs. 15,000 immediately and also of giving a promise for a further loan of Rs. 20,000/- within the next two years as may be required on the following conditions.-

(a) It should first be proved to the satisfaction of the Government that proper endeavours have been made to start a scheme on the basis of private enterprise but that such a scheme is impossible.

9b) The following additions and changes in the Rules of the Bank are made as suggested above.-

(1) The transactions of the Bank shall be regulated not only by the Rules of the Bank but also by any directions which the Registrar may give in writing.

(2). No loan shall be given to any party unless it is approved of by the Registrar.

(3). Loans given to individual members shall be restricted to (to be fixed by the Registrar) and the total loans given to member shall at no time exceed $\frac{1}{4}$ of the total amount of the loans given to Societies

(4) The interest realised on loans to Societies up to the limit of Government loan shall be credited in full to the Reserve Fund of the Bank.

(5) The amount due to Government by the Bank will be the first charge of the Reserve Fund and other assets of the Bank.

(6) Deposits shall be received for periods varying from 6 months to 2 years and the interest payable thereon will be as under.-

6 months	 $3\frac{1}{2}\%$	per annum
1 year	$4\frac{1}{2}$	"
2 years	7%	"

11. As regards a Government Director, I think a careful audit by the Registrar every half year in addition to his control as stated above would be sufficient. But I have no objection to let one of my assistants sit on the Board on the distinct understanding that the transactions of the Board will not for that reason be regarded as having been approved of by Government or their financial adviser.

12. I return herewith the printed Rules and report received.

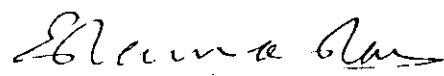
Yours Sincerely.

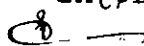
(Sd). J.S. Chakravarti.

Copy.

Dated Bangalore.
19th April 1911.

21


In (Ph. Registrar.



Extract from the Resolution of the Government of India NO. 6 / 256 /26
dated 6th May 1910 on the proceedings of the 4th. Conference of the
Registrars of Co-operative Credit Societies held in Calcutta in
November 1909.

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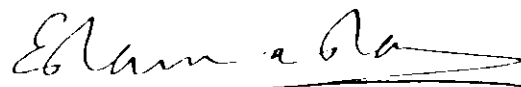
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" In Burma the Bank of Rangoon has undertaken to finance the societies ;
in Madras the same work is undertaken by two Central Banks established
at Madras and Salem respectively. In the United Provinces loans have
been received from Joint Stock Banks and the amount of such loans in-
creased considerably, while in Bengal an important advance in the solution
of the question of finance was made by the institution of two co-opera-
tive Unions combining some fifty societies. The Government of Bombay
has submitted a scheme formulated by the Hon'ble Sir Vittal Doss Thakersey
and Mr. Lalubhoi Samaldoss for the establishment of a Central Bank to
finance Co-operative Credit Societies in the Bombay Presidency. "

-----0000000-----



In Ch. REGISTRAR.

B.S.R.V.

Proceedings of a meeting of the Board of Management of the
Bangalore Central Co-operative Bank Ltd., held on 5th. April 1911.

-----0000000-----

P r e s e n t :-

1. Mr. M.S.Narayana Rao (Vice President.)
2. ,, P.Singarachar.
3. ,, C. Rama Rao.
4. ,, D. Appu Rao.

Read again Resolution V of the Proceedings of the Board dated
12th. February 1911..

With reference to the conditions proposed
by Mr. J.S.Chakravarti in his D.O. letter dated 14-7-1910 to the
Registrar in re the Government help to the Bank, resolved that
the Registrar be informed that the Board are quite agreeable to
all the conditions referred to in para 10 of the above D.O.
except b (4) and (6). With reference to b (4) the Board
submits that Rule 17 and 18 of the Bye-laws which prescribe that
 $\frac{1}{4}$ of the net profits shall be set apart for the reserve fund and
that the sum should not be drawn upon except to meet make losses
good, and even in such cases the sanction of the Registrar will
firstly be obtained. The proposal to set apart the whole of the
interest earned on Government loan as reserve fund would leave
absolutely nothing to meet the working charges such as house rent
establishment, printing, contingencies &c. The above rules of the
Bye-laws are quite sufficient for all practical purposes. With
reference to b (6) the fixing^{of} rates of interest on deposits
in the Bank should be regulated by the Board according to the
supply and demand of funds and may be safely left to the discretion
of the Board.

Sd / M.S. Narayan Rao.

Vice President.

" True Copy "

Sd / - M.S.Narayan Rao
Vice President.

Copy.
Dated Bangalore }
22nd April 1911 }
E. Narayan Rao
- Secy. to Board

5 copies

Rev

Revised draft

File No. 463 d
1 h

Serial No.

Diary No. of letter replied to

Proceedings of the Government of His Highness
the Maharaja of Mysore.

GENERAL AND REVENUE
SECRETARIAT.

()

READ--

Letter No. 999/ES.240

, the

19

dated the 21st April 1911

Date of issue

3-6-3-12

from the Registrar of Co-
operative Societies in Mysore.

Signed by

*W. Narasimha
Rao*

Submitting with his recommendation,

~~ORDER THEREON. No.~~

an application

from the Bangalore Central

Cooperative Bank, Ltd.,

application for a loan of

Rs. 35,000.

Order Thereon. To

over

SUBJECT.

Order Thereon. No. 284168-9

30 March 12

The Bangalore

Central Cooperative Bank,

Ind., approaches Govt. with

the request that a sum of

Rs. 35,000 may be placed

at their credit for a period

of five years, to be drawn

upon in such instalments

as may be required, the each instalment

~~amount~~ so drawn being

repayable in two years

with interest at 3½ per

cent per annum from the

date of withdrawal. The

Reg. of Cooperative Societies

recommends the grant of

the concession on the ground

that this would enable the

bank to secure public

confidence as it would

~~place at the disposal of the~~ provide

~~bank~~

GENERAL AND REVENUE
SECRETARIAT.

(Continuation sheet draft form.)

provide the bank with a ready resource against sudden calls from depositors or large demands from cooperative banks and, generally, against any period of difficulty that may arise.

The Govt. ~~Committee~~ ~~that~~, in the circumstances of the case, ~~there are~~ ~~grounds justifying the grant~~ ~~of the concession asked for~~ ~~by the bank~~ They are accordingly pleased to request

the Comptroller to place a sum of Rs. 35,000 at the credit of the Bangalore Central Cooperative Bank, Ltd., for a period of five years under the following conditions:—

(1) The amount will not be drawn in one lump sum but in

Such

such instalments as
may be actually required.

② The approval of
the Reg^r of Cooperative
Societies shall be obtained
before any instalment
is drawn. The amounts
so drawn will be repayable
within a period of two
years from the date of
withdrawal and will
bear interest at $3\frac{1}{2}$
per cent per annum

③ No loan shall be
granted to any party,
whether a member of the
bank or a Cooperative
Society, except with the
approval of the Registrar.

④ [The Registrar should
fix a limit to the amount
of loan which may be
granted to individual

the address may be made - No. as
demanded to settle the direction
bank for the purpose of placing it in the
the para to remain as it is without any
addition or
21/3

the provisions [-] have
No. m
21/3

GENERAL AND REVENUE
SECRETARIAT.

(Continuation sheet draft form.)

to be a normal member of the
bank -
The draft is right
m
2/3

Members of the bank
and) the total amount
[40] granted, should not
at any time exceed
 $\frac{1}{4}$ the total amount of the
loans granted to cooperative
Societies.

(5)

⑤ ~~The~~ Interest ^{at the} ~~on~~
average rate realized from
~~on loans to~~ Societies ~~up to~~
- ~~the amount of~~
the limit of the Govt. loa
actually ~~which has been drawn~~
loan, to the bank less at
interest at $3\frac{1}{2}$ per cent
payable to Govt. should be
credited to the Reserve fund
of the Central Bank.

⑥ The amount due
to the Govt. will always
be a first charge on the
Reserve fund and other
assets of the bank.

⑦ No material change
in the rules ~~and~~ or consti-
tution of the bank should

be

be made except with the
approval of Govt obtained
through the Registrar of
Co-operative Societies

⊗ A departure from
any of these conditions will
render the bank liable to
repay ~~the loan~~ of the Govt
loan at once with interest

The Comptroller is
requested to make the
arrangements necessary
to give effect to this order.
A legal document embodying
the above conditions should be
submitted by the Bank before each
instalment is drawn.

M
26/3
Financial Secretary.

to
10.3.11

The Comptroller to the Govt

The Reg^r of Co-operative Societies in Mysore.

and the Reg^r of Co-op^{ve}
Societies are

Print

V. L. G.
27/3/11

1911-12

GOVERNMENT OF HIS HIGHNESS
THE MAHARAJA OF MYSORE

FINANCIAL
(GENERAL FINANCE)

P R O C E E D I N G S

Dated 30th March 1912

No. Fl. 4168-9
G. F. 463-11-12

Sanctioning a loan under certain conditions of a sum of Rs. 35,000 to the Bangalore Central Co-operative Bank, Limited, for a period of five years.

*Proceedings of the Government of His Highness the Maharaja of Mysore,
Financial (General Finance), dated 30th March 1912.*

READ—

Letter No. 999—C. S. 240, dated the 21st April 1911, from the Registrar of Co-operative Societies in Mysore, submitting with his recommendation, an application from the Bangalore Central Co-operative Bank, Limited, for a loan of Rs. 35,000.

No. FL. 4168-9—G. F. 463-11-12, DATED BANGALORE, 30TH MARCH 1912.

ORDER THEREON.—The Bangalore Central Co-operative Bank, Limited, approaches Government with a request that a sum of Rs. 35,000 may be placed at their credit for a period of five years, to be drawn upon in such instalments as may be required, each instalment so drawn being repayable in two years with interest at $3\frac{1}{2}$ per cent per annum from the date of withdrawal. The Registrar of Co-operative Societies recommends the grant of the concession on the ground that this would enable the Bank to secure public confidence as it would provide the Bank with a ready resource against sudden calls from depositors or large demands from Co-operative Banks and, generally, against any period of difficulty that may arise.

The Government in the circumstances of the case are pleased to request the Comptroller to place a sum of Rs. 35,000 at the credit of the Bangalore Central Co-operative Bank, Limited, for a period of five years under the following conditions:—

(1) The amount will not be drawn in one lump sum but in such instalments as may be actually required.

(2) The approval of the Registrar of Co-operative Societies shall be obtained before any instalment is drawn. The amounts so drawn will be repayable within a period of two years from the date of the withdrawal and will bear interest at $3\frac{1}{2}$ per cent per annum.

(3) No loan shall be granted to any party, whether a member of the Bank or a Co-operative Society, except with the approval of the Registrar.

(4) The Registrar should fix a limit to the amount of loan which may be granted to individual members of the Bank, and the total amount so granted should not, at any time, exceed one-fourth of the total amount of the loans granted to Co-operative Societies.

(5) Interest at the average rate realised from Societies on the amount of the Government loan actually drawn less interest at $3\frac{1}{2}$ per cent payable to Government should be credited to the Reserve Fund of the Central Bank.

(6) The amount due to the Government will always be a first charge on the Reserve Fund and other assets of the Bank.

(7) No material change in the rules or constitution of the Bank should be made, except with the approval of Government obtained through the Registrar of Co-operative Societies.

A departure from any of these conditions will render the Bank liable to refund the Government loan at once with interest.

The Comptroller and the Registrar of Co-operative Societies are requested to make the arrangements necessary to give effect to this order. A legal document embodying the above conditions should be executed by the Bank before each instalment is drawn.

J. S. CHAKRAVARTI,
Financial Secretary.

To—The Comptroller to Government.

The Registrar of Co-operative Societies in Mysore.

Exd.—c. v.